

## **Remarks for Administrative Costs in Higher Education Legislative Study Committee**

**November 5, 2013**

**Patrice Sayre**, Chief Business Officer, Board of Regents, State of Iowa

Senator Hart, Representative Forristall and other distinguished members of this committee, thank you for giving the Regent institutions an opportunity to be here today to talk with you about efficiencies within the Regents System and on each university campus.

I am Patrice Sayre, CBO for the Board of Regents. Intro – Barry Butler Exec VP and Provost for SUI, Warren Madden SR VP Business & Finance for ISU, and Michael Hager VP for Administration and Financial Services for UNI.

The Regent institutions are educating nearly 76,500 students this year spread across more than 4,500 on-campus and 600 off-campus acres (excluding farm acreage). 66% of the undergraduate students are Iowans.

The universities make a significant contribution to the Iowa economy by conducting academic research – last year that research brought in \$792 M from federal and corporate sources. The research parks at SUI, ISU and UNI employed 2,846 people at 134 companies.

We hold in trust for the State, academic/research/administrative facilities worth \$8 billion.

We are a \$4.9 billion enterprise dedicated to making Iowa the best through education, research and public service. Being big, we know we have great responsibility to the State and its citizens. We want to be good stewards of the public's trust and the public's money.

We have prepared material to share with you. I will walk through the material in general, and the university representatives here today will provide detail for their respective campuses.

The Board of Regents and the universities have a long history of searching for the best ways to maximize the return on investment through efficiencies reviews. We have participated in State initiated reviews – most recently through the consultant Public Works, and periodic studies conducted with the help of an expert contractor. Since the late 1980s, there have been about 10 separate efficiency studies done by a consultant at the direction of the Board of Regents.

As you may know, the Board of Regents is going to be performing a comprehensive review of the public universities over the next 12-18 months with the help of an outside consultant. This study will be chaired by Regents Larry McKibben and Milt Dakovich.

Additionally, the BOR has its own internal audit division which is scheduled to do nearly 30,000 hours of auditing with a staff of 16 FT auditors. This is in addition to the Auditor of State's planned 18,200 hours of audit.

We continually strive to be accountable, effective and efficient with the resources entrusted to us.

We were asked to provide certain materials to you today – which have been handed out. I will go over our submission broadly and we will do our best to respond to any questions you may have.

- 1) **QUESTION: A list of all Mandatory Fees charged to students, how the fee rates are determined, and a description of how the fee revenues are used by the institution.** – Provided to you is a listing by university of the mandatory fees for the last 5 years. Prior to the 1990s, universities took a portion of tuition – designated tuition for the support of student activities and services.

The first mandatory fees were health fees, computer fees and health facility fees. Health fees replaced an existing voluntary health fee and ensured that health benefits were available to all students.

The computer fee, now called the technology fee, started in FY 1992 to consolidate various fees for courses and programs and be a distinct resource for computer infrastructure and technology needs.

The health facility fee covered improvements to student health facilities.

During the 1992 General Assembly, legislation was enacted providing students the authority to participate in the allocation decisions for student fees. Each university has a student fee committee of 5 students and 5 university staff to make recommendations for student fee allocations to the university fee president by April 15 of the subsequent academic year.

The university president, in turn, makes a recommendation to the Board and the Board makes the final decision on allocation.

In 1999, the Board made a fundamental change in the structure of tuition and fees that made these separate items – there would no longer be designated tuition for non-academic purposes. Mandatory fees would be easily tracked and accounted for.

Proposed increases in mandatory fees are to generally stay within the HEPI projected inflation, students must be consulted before the fee proposal is submitted to the BOR office, and universities must identify the specific need for an increase. Additionally, Universities must submit a form providing detail to the Board office (attached) that the criteria set forth in Board Policy has been met.

Submitted to you are the mandatory fees for each university for the last 5 years.

- 2) & 3) **QUESTION: The Number of Executive, Administrative and Managerial employees and the Ratio of those Employees to all employees**

We have used the US Department of Education's Integrated Postsecondary Education Data Systems (IPEDS) submissions and therefore, their definitions for this information. As you can see by the Excel sheet, the universities have made progress in lowering the ratio of administrators to total staff.

IPEDS has made a significant revision in the definition of who is an executive, administrative or managerial employee and these figures are not finalized for FY 2013.

Also provided on the next page are comparative charts of each university to the BOR-established peer institutions – 10 identified for each. You will see that both SUI and ISU are positioned very favorably compared to their peers; ISU is the most efficient of its peers and SUI is at the #2 slot for most efficient compared to peers. It is not surprising that given the smaller size of a comprehensive university such as UNI that they fall in the median of their peers.

4) **QUESTION: Supervisor to Staff Ratio - Span of Control**

In accordance with Iowa Code Chapter 262.9C and Board Policy 4.20, an annual report on Span of Control is made to the Governor and General Assembly. We have submitted that report to you today. We use the October 1 payrolls at the five institutions each year for consistent comparison. Employees involved with direct patient care, faculty and employees in other areas that maintain different SPOC ratios due to federal or state regulations were not used in the ratio calculations.

The resulting analysis is a comparison of numbers of the merit exempt and professional staff at each institution that have administrative supervision as any portion of their overall job responsibilities as compared to employees with no supervisory responsibilities. The analysis is based on headcount and not amount of effort spent in supervisory responsibilities.

Departments with 28 or fewer FTEs request a waiver from inclusion per the statute and Board policy.

Recent Spans of Controls are:

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2013</u>
University of Iowa	1/11.66	1/11.22	1/11.30
Iowa State University	1/19.42	1/16.42	1/17.25
University of Northern Iowa	1/14.78	1/15.02	1/15.10

5) **QUESTION: The Percentage of Staff FTEs for Instructional, Research or Service Activities**

IPEDS provides information on staff whose “Primary” responsibilities fall into the categories of instructional, research or service activities, but that would leave a number of staff uncounted and would give an inaccurate picture of work effort.

In place of database information, we have provided to you the Biennial Faculty Activities Report done September 2013.

This is an important tool for accountability and communication among the Regents, universities and the public. It provides an overview of faculty responsibilities, describes the

distribution of time spent on those responsibilities, and illustrates how the universities monitor the accomplishment of their diverse missions.

The FY 2013 survey data showed that the average number of hours worked per week by faculty at the three universities was 53.9 – 58.2. During the last 21 years, there have been only minor fluctuations in the average number of hours worked per week by faculty. IF you turn to page 2, you can see at each university how those hours are broken down into student instruction/advising, scholarship/research, clinical work, community engagement, professional development and administration/service components.

There is a great deal of information about faculty in the report and I encourage you to read it when time allows.

6) **QUESTION: Annual Spending on Activities other than Direct Instruction as a Percentage of Total Spending**

We have submitted an Excel worksheet showing the functional categories of Instruction, Academic Support, Plant Operations & Maintenance, Scholarships & Fellowships, Institutional Support, Student Services, Research, and Public Service. These are IPEDS categories, however, IPEDS has revised the reporting of Plant Operations & Maintenance – this category is now allocated to the other functions.

You will see that over the last 5 years functional expenses percentages have not varied significantly, with the possible exception of growth in scholarships/fellowships.

7) **QUESTION: Annual Spending on Auxiliary Enterprises, Plant Operations and Maintenance, and Scholarships/Fellowships as a Percentage of Total Spending**

This information is found on an Excel worksheet. Universities have a number of auxiliaries – these are self-supporting entities. We chose the most significant ones in relation to the universities budgets – housing, dining, athletics and the student union. We have separated out Plant Operations and Maintenance, as this category runs throughout the four auxiliaries noted above.

8) & 9) **QUESTION: The Amount of Borrowing for Construction; the Cost of Servicing Debt**

Finally, we have provided you information on current bonds. You will see that they are identified by university, purpose of bond, amount and average debt service. The next page shows refundings as we take the opportunity to refund bonds as market conditions and circumstances allow. We are pleased to note that since 2009, we have refunded bonds to the save \$27.3 million. The final page is Debt service by institution and type of bond.

I am happy to take any questions now or to proceed to the presentations of our university representatives.